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INFO RUEHXK/ARAB ISRAELI COLLECTIVE PRIORITY
RUEHBS/USEU BRUSSELS PRIORITY
RHEHNSC/NSC WASHDC PRIORITY
RUEATRS/DEPT OF TREASURY WASHDC PRIORITY

C O N F I D E N T I A L JERUSALEM 001735

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NEA FOR FRONT OFFICE; NEA/IPA FOR SHAMPAINE/BELGRADE; NSC
FOR ABRAMS/SINGH; TREASURY FOR
HARRIS/LOEFFLER/NUGENT/HIRSON; BRUSSELS FOR LERNER

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TAGS: EFIN EAID ENRG KWBG PTER IS

SUBJECT: GAZA ELECTRICITY CURTAILED AS EU SUSPENDS
ASSISTANCE, FEARING HAMAS INTERFERENCE

REF: JERUSALEM 1574

Classified By: Acting Principal Officer Thomas Duffy for reasons 1.4 b,

¶1. (C) Summary. A security threat against Nahal Oz transfer station and increased HAMAS interference in the collection and distribution of utility revenues has led the EU - at the urging of the Palestinian Authority (PA) - to suspend its financial support for fuel shipments into Gaza, resulting in shutdown of the power plant that supplies approximately thirty-five percent of Gaza's electricity. EU officials publicly claim to be conducting a review of the overall program to ensure that HAMAS does not benefit from its fuel payments, and security at the transfer point can be guaranteed. PA officials privately say that they are using the power outage to increase pressure on HAMAS and to keep HAMAS from gaining access to additional sources of revenue. End Summary.

¶2. (SBU) Nahal Oz transfer station (where fuel supplies from Israel cross into Gaza) was closed on Thursday, August 16, following the reported discovery of a tunnel dug under the crossing. The fuel crossing was re-opened on Sunday, August 19, but fuel for the Gaza Generating Company's power plant was not delivered, after the EU told the Israeli fuel supplier that it would not finance the shipment. According to PA Ministry of Finance Officials, the plant - which provides Gaza with about thirty-five percent of its electricity needs - shut down completely at 11:00 AM on Sunday. Given the continued supply of power from Israel and Egypt, PA officials expect increased interruptions in service - but not a complete blackout - in Gaza until the plant is back on-line.

¶3. (C) The EU has publicly stated that it is conducting a "review" of the procedures in place to ensure that the fuel is transferred safely, and does not benefit HAMAS. The head of the EU's Temporary International Mechanism (TIM) told Econchief that EU concerns "had not been completely clarified" and a deal would likely not be reached until at least Tuesday, August 21. The EU has publicly tied this review into the security breach, but has noted that it needs to "know where the taxpayers' money is going." The EU was surprised that fuel reserves were as low as they were at the plant, instead expecting the plant to run at least through Sunday, August 19.

¶4. (C) PA Prime Minister Salam Fayyad told the Consul General on August 19 that, after detecting an increase in HAMAS' collection of utility bills, he encouraged the EU to stop paying for fuel deliveries. In a Monday, August 20 meeting

with Senator Levin, Fayyad said that HAMAS had taken over the Gaza electricity distribution company several weeks ago and was now misusing collected funds.

¶5. (C) Gaza City Mayor Majid Abu Ramadan told ConGen Officers that HAMAS arrested the head of Gaza's electricity distribution company a month ago, along with a number of other staff, and replaced him with a HAMAS official. While Abu Ramadan maintained that all previous financial arrangements remained in place to prevent HAMAS from gaining access to utility payments, Ministry of Finance DG Mazen Jadallah told Econchief that while electricity usage (and revenue collections) had increased, the amount transferred to the central accounts had remained flat. "There are enough signs that someone is taking advantage." The head of the PA's Petroleum Authority told EconFSN that HAMAS had taken "effective control" of the utility company's accounts and financial authorities.

¶6. (U) PA Information Minister Riad al-Malki said HAMAS was "fully responsible" for the electricity shortage, according to press reports, and claimed that HAMAS had "occupied" the electricity company and stolen its money.

DUFFY